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S E C R E T ROME 000695

SIPDIS

NOFORN

STATE FOR NP/CBM, EUR/PRA, EUR/WE, EAP/CM, PM/DTC (GANZER)

E.O. 12958: DECL: 03/01/2015

TAGS: [ETTC](#) [PARM](#) [PREL](#) [IT](#) [CH](#) [MTCR](#) [EXPORT](#) [CONTROLS](#)

SUBJECT: (S) MTAG: ADDITIONAL GOI REACTION TO POTENTIAL
ITALIAN COMPANY ACTIVITY IN CHINA

REF: A. FEBRUARY 18 GANZER-FINKBEINER EMAIL MESSAGE

[B](#). ROME 117

[C](#). 04 STATE 275541

Classified By: Economic Minister Counselor Scott Kilner for reasons 1.4
(b), (d) and (h)

[1](#). (S) Ref B reports on the delivery of our January 13 demarche (ref C) to the MFA's Non-Proliferation Coordinator Carlo Tripepi, in which we informed the GOI that several Chinese firms intended to engage in proliferation-related activity with several Italian firms, including Galileo Avionica, Sicam, Alenia, Marconi Selenia, and FLT. Our demarche noted in particular our concern regarding China's efforts to develop unmanned aerial vehicle (UAV) technology.

[2](#). (S) Alfredo Cuzzoni, Director of the Office for Armaments, Military Sales, and the Aerospace Defense Industry in the Ministry of Productive Activities (MPA), followed up on the demarche in a letter faxed directly to the Office of Defense Trade Controls in the State Department's Bureau of Political Military Affairs on February 17 (ref A). Cuzzoni noted in his letter that the MPA had reminded Italian industry of the need to respect both national and multilateral controls on the transfer of armaments and dual-use technology and materials. Cuzzoni requested a meeting with econoff on February 22 to further explain his letter, and to give us a hard copy of the letter (which we will forward to PM/DTC).

[3](#). (S) While continuing to encourage increased commercial ties between Italy and China, Cuzzoni told us that the GOI is also maintaining its vigilance regarding the potential transfer of high technology aerospace material. Cuzzoni, whose office promotes the Italian aerospace industry, told econoff that, since becoming aware of our January 13 demarche, he had contacted several Italian firms, including Alenia Aeronautica, Galileo Avionica, and Marconi Selenia, to reiterate their need to comply fully with export license requirements. Notwithstanding recent high profile engagement with the Chinese government to promote commercial ties (such as Italian President Ciampi's December 2004 state visit to China), Cuzzoni said the GOI continued to view the maintenance of strong commercial relations with the United States on aerospace as of paramount importance. He mentioned specifically the Italian hopes for enhanced cooperation in the area of communications satellites. Cuzzoni expressed concern that some GOI officials (he specifically mentioned MPA Under Secretary Valducci) were overly optimistic regarding the attractiveness of the Chinese market, at least with regard to high technology goods that require export licenses and that, depending on the technology, would not in all cases be approved.

[4](#). (S) Comment: Cuzzoni expressed familiar GOI concerns during our meeting regarding the dilemma faced by a struggling Italian aerospace industry -- the attractiveness of the Chinese market, but the risk that such cooperation could impede current and future business with U.S. partners. Cuzzoni stressed his ties to Italian industry and his willingness, even eagerness, to work with the Embassy to avoid misunderstandings. Econoff explained that the Embassy had to deliver such sensitive messages to the MFA Non-Proliferation Coordinator, given his role overseeing Italy's Inter Ministerial Consultative Committee on Dual-Use Export Controls. We agreed, however, that further direct contact with Cuzzoni on similar issues could be helpful in making our concerns more broadly known within the GOI. End comment.

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